

# Grantville Stakeholders Committee

Economics Research Associates (ERA)  
Residual Land Value Presentation  
October 12, 2009

# Background

- In early 2009, ERA completed a market study for the Grantville Sub Area A Redevelopment Area
- Based on community input, Civitas came up with three land use alternatives during the Charrette process.
- ERA was asked by the City to analyze the building typologies provided by Civitas in Land Use Option E/F to test the feasibility of hypothetical development options (applicable to D & G).

# Visual Overview of Land Use E/F



# Development Prototypes

- River Adjacent High Rise (for-rent & for-sale)
- Trolley Adjacent High Rise (for-rent & for-sale)
- River Adjacent Mid Rise (for-rent & for-sale)
- Mixed-Use Mid Rise (for-rent & for-sale)
- Low Rise (for-rent)
- Mid Box Retail
- Mixed-Use Commercial (Retail/Office)



# Building Typologies – River Adjacent



# Building Typologies – Mixed Use



# Building Typologies – High Rise



# Residual Land Value (RLV)

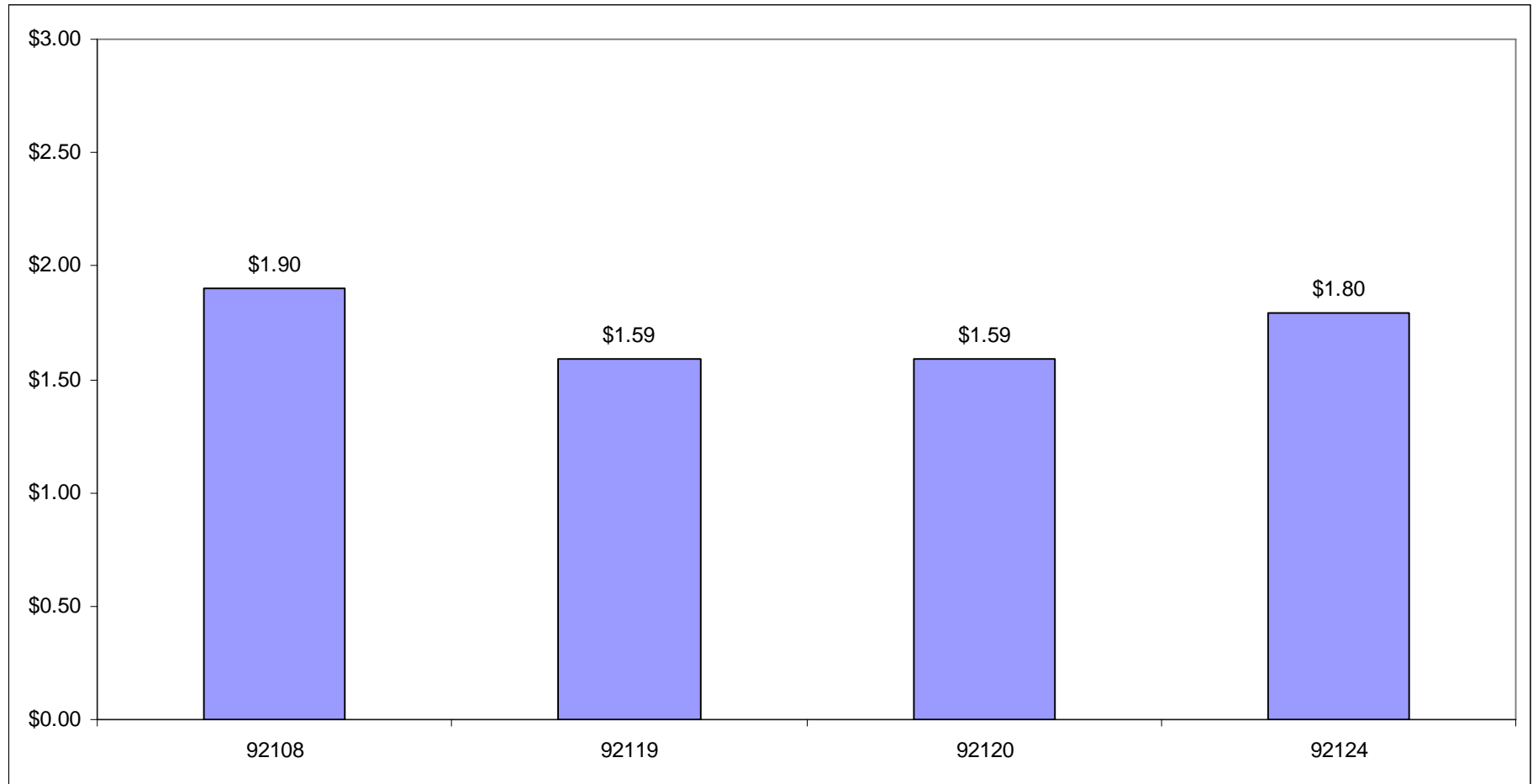
- **“Residual Land Value”** is what a developer would pay for land for any development after all development costs and the required profit are covered.
- ERA attempted to set a theoretical “threshold” to test development prototypes.
- Current industrial and commercial improvements have value in the Project area.
- New development would have to absorb associated costs of purchasing land with improvements.



# Assumptions

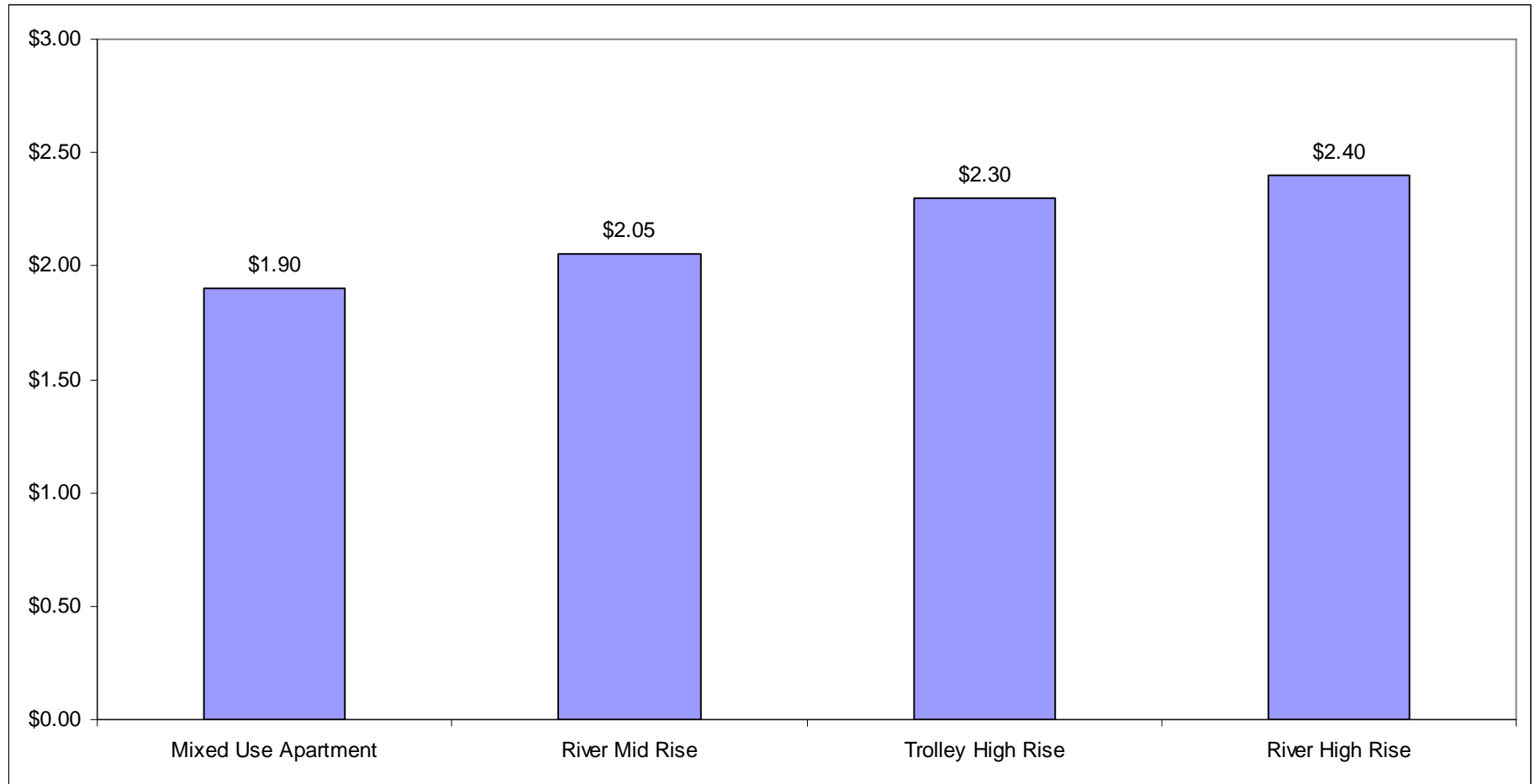
- All prototypes are evaluated based on the development of 3 acres of improved industrial land (hypothetical).
- ERA has assumed no additional costs associated with environmental clean up.
- Developer profit is set at 10% of for-sale residential values and 12% of hard costs for income properties.
- Capitalization rates were used to estimate value of commercial developments (6.5% for apartments and 7.5% for retail and office).

# For-Rent Existing by Zip Code



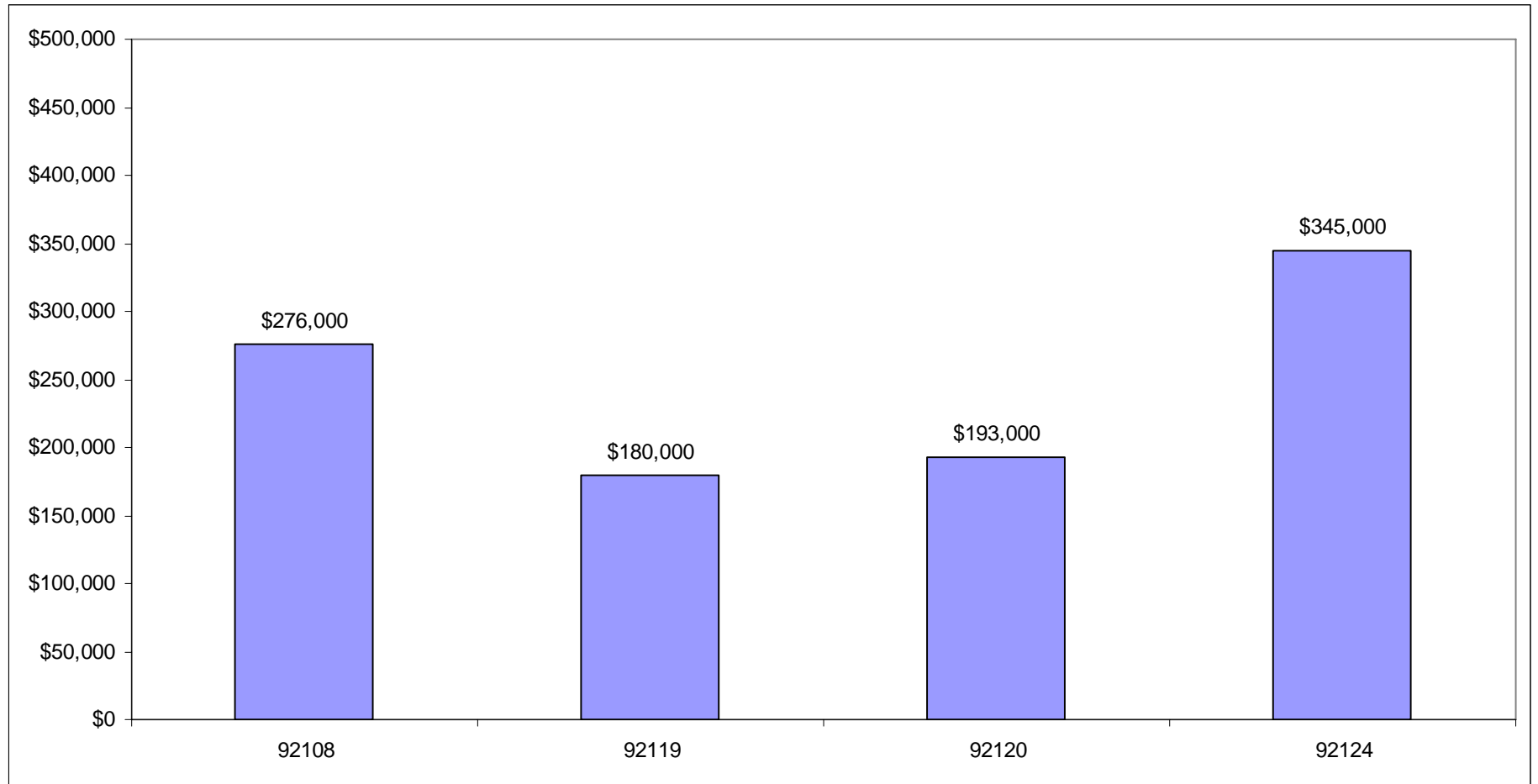
Source: REIS, Individual Facilities, ERA

# For-Rent Average Unit Pricing in Grantville



Source: ERA

# For-Sale 2008 Condo by Zip Code



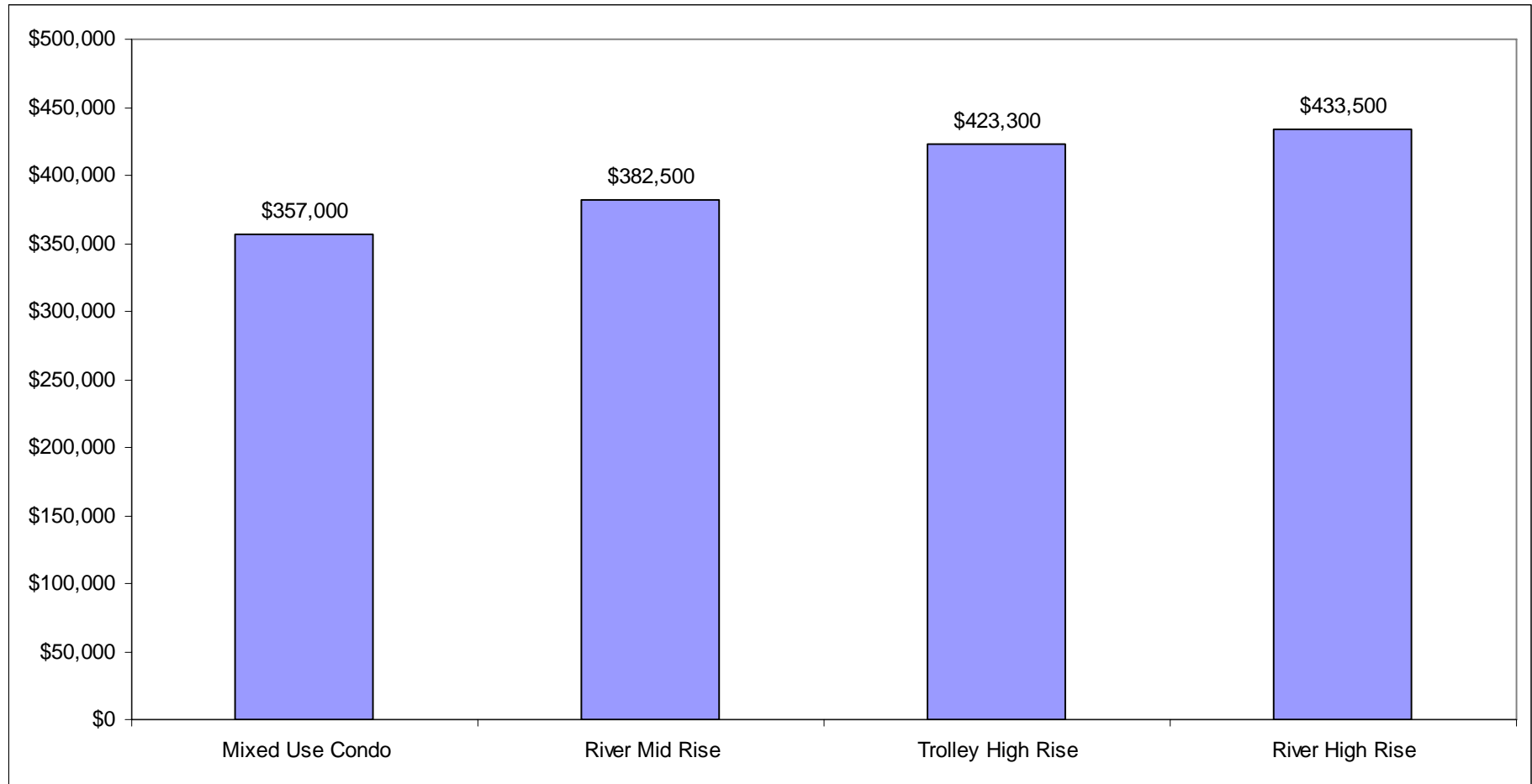
Source: DataQuick, ERA



# Historic For-Sale Residential Price (\$/SF)



# For-Sale Average Unit Pricing in Grantville



Source: ERA

# RLV Findings

- Based on our analysis, river adjacent condominium and apartment developments are likely feasible in the near-term.
- Other residential developments (high rise, mixed-use, low rise) are yielding negative and positive values below the development “threshold” established by ERA.
- Commercial properties (mid box, mixed-use) are yielding positive value but below the development “threshold” established by ERA.

# Baseline Economic Findings

| Project Description                         | River Adjacent<br>Highrise<br>(For-Sale) | River<br>Adjacent<br>Highrise<br>(For-Rent) | Trolley<br>Adjacent<br>Highrise<br>(For-Sale) | Trolley<br>Adjacent<br>Highrise<br>(For-Rent) | River<br>Adjacent<br>Midrise<br>(For-Sale) | River<br>Adjacent<br>Midrise<br>(For Rent) | Mixed-Use<br>(For-Sale) | Mixed-Use<br>(For-Rent) | Lowrise<br>(For-Rent) | Mid Box<br>(Retail) | Mixed Use<br>Commercial<br>(Office/Retail) |
|---------------------------------------------|------------------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------|-------------------------|-----------------------|---------------------|--------------------------------------------|
| Parking Type                                | Structure                                | Structure                                   | Structure / Sub                               | Structure / Sub                               | Surface / Tuck                             | Surface / Tuck                             | Structure               | Structure               | Surface / Tuck        | Surface             | Structure                                  |
| Density/FAR (Per Acre)                      | 93                                       | 119                                         | 93                                            | 119                                           | 70                                         | 70                                         | 40                      | 40                      | 20                    | 0.2                 | 0.5                                        |
| Development Cost per Net SF                 | \$434                                    | \$337                                       | \$435                                         | \$333                                         | \$315                                      | \$217                                      | \$300                   | \$230                   | \$208                 | \$181               | \$308                                      |
| For-Sale Residential Sales Price per Net SF | \$425                                    |                                             | \$415                                         |                                               | \$375                                      |                                            | \$350                   |                         |                       |                     |                                            |
| Estimated Residual Land Values (millions)   |                                          |                                             |                                               |                                               |                                            |                                            |                         |                         |                       |                     |                                            |
| Total Capitalized Value                     | \$116.5                                  | \$87.7                                      | \$113.8                                       | \$84.2                                        | \$77.1                                     | \$44.3                                     | \$44.0                  | \$32.9                  | \$9.5                 | 6.4                 | \$20.4                                     |
| (Less Development Costs)                    | (\$123.9)                                | (\$96.3)                                    | (\$124.2)                                     | (\$95.2)                                      | (\$67.4)                                   | (\$36.4)                                   | (\$39.2)                | (\$30.0)                | (\$8.5)               | (\$4.9)             | (\$20.0)                                   |
| Residual Land Value (RLV)                   | (\$7.4)                                  | (\$8.7)                                     | (\$10.4)                                      | (\$11.1)                                      | \$9.7                                      | \$8.0                                      | \$4.8                   | \$2.9                   | \$1.0                 | \$1.5               | \$0.5                                      |
| Estimated Land Residual Values              |                                          |                                             |                                               |                                               |                                            |                                            |                         |                         |                       |                     |                                            |
| RLV per Acre                                | (\$2,470,000)                            | (\$2,890,000)                               | (\$3,470,000)                                 | (\$3,680,000)                                 | \$3,240,000                                | \$2,650,000                                | \$1,610,000             | \$950,000               | \$350,000             | \$500,000           | \$150,000                                  |
| RLV per SF of Land Area                     | (\$57)                                   | (\$66)                                      | (\$80)                                        | (\$85)                                        | \$74                                       | \$61                                       | \$37                    | \$22                    | \$8                   | \$12                | \$3                                        |
| RLV per Unit                                | (\$26,400)                               | (\$24,300)                                  | (\$37,200)                                    | (\$31,000)                                    | \$46,300                                   | \$37,900                                   | \$40,200                | \$23,800                | \$17,300              |                     |                                            |

- Fine tuning development program can improve economics.
  - Density
  - Parking Ratio
  - Rents/Values (Market Dependent)

Source: ERA

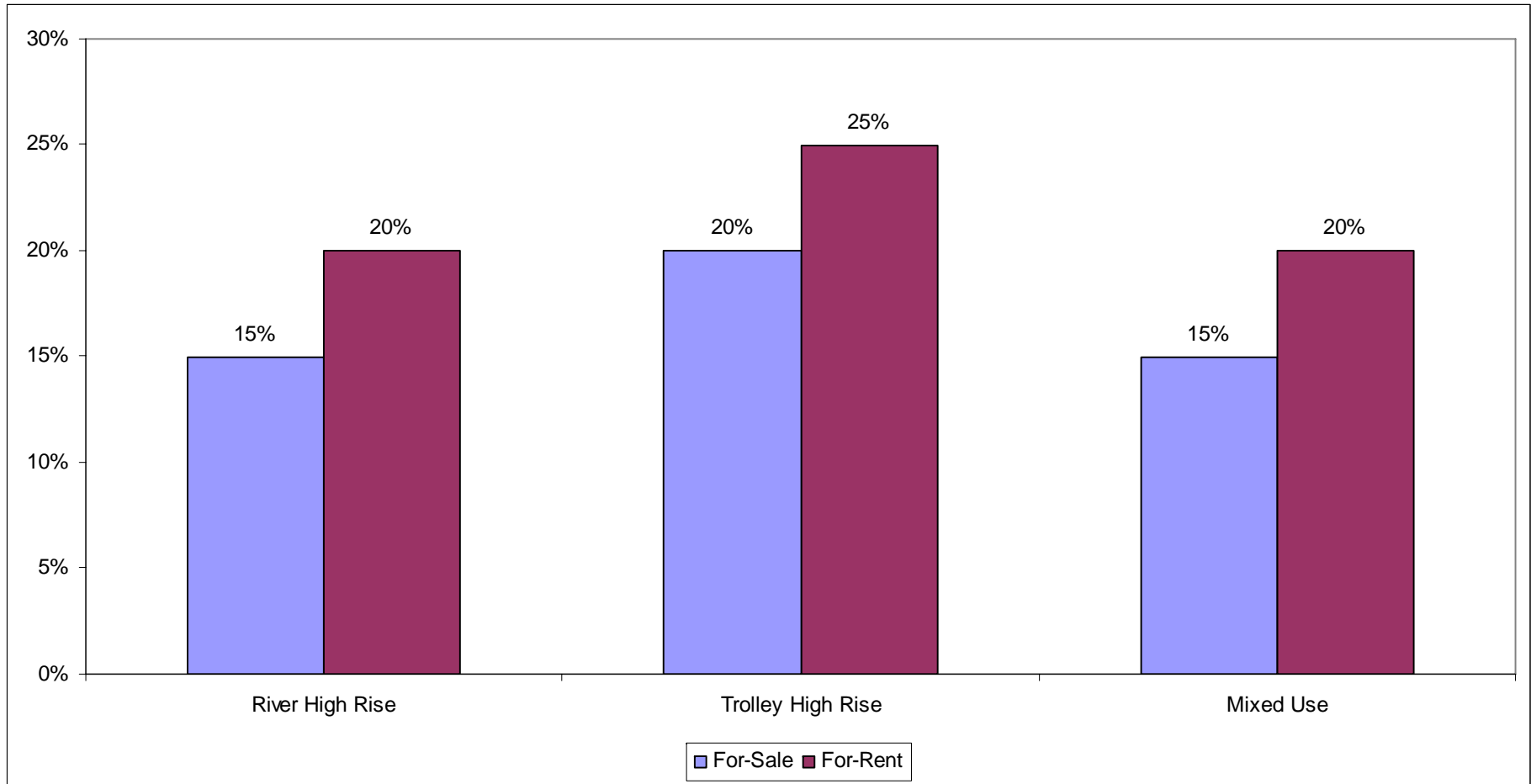


# Feasibility Sensitivity

- Costs
  - Construction Costs: Changes by development typology (market)
  - Fees: Mandated by City (variable)
  - Parking: Type and Parking Ratio (variable)
- Revenues
  - Sales Price and For-Rent Rates: Dictated by quality and desirability of development. Improvements in Grantville (infrastructure/river) will likely increase value (market).

# Feasibility Threshold

- Revenue appreciation from baseline (sales/rent)



Source: ERA

# Public Improvements and Amenities

- Includes:
  - Road Improvements
  - Streetscape
  - Lighting & Landscape
  - Parks & Open Space
- Redevelopment strategy will include public improvements and create value to the area over the long term.
- Value creation will in turn enhance feasibility of development prototypes.

## Other Premium Drivers

- Grantville's unique amenities include the proximity to San Diego River and Trolley
- River improvements will positively impact values over time.
- General research to date suggests that improvements associated with open space and parks will also help create value for home prices/rents (10% to 30%).
- Access to employment centers via the Trolley enhances attractiveness for residential product.



# Issues to Consider

- Near term opportunity for high quality mid rise for-sale / for-rent residential product.
- Price appreciation in the future may provide opportunity for higher density / high rise.
- Consider other residential prototypes such as townhomes, student housing, and senior housing.
- Phasing and mix of product type will help absorption and long-term feasibility.
- Consider shared parking solutions for areas with mixed use / commercial development.

# Questions

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